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Ira S. Lowry

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HOUSING ALLOWANCES: LESSONS FROM THE SUPPLY EXPERIMENT*

Ira S. Lowry

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INTRODUCTION

In the early 1970s, both Congress and the administration were disenchanted with federal housing assistance programs for low-income families. Public housing projects in large cities, once hailed as showplaces of civic betterment, were fast becoming physical and social junkheaps. The returns were in from a number of imaginative rehabilitation projects; all were disasters. An ambitious program of home purchase subsidies for low-income families was collapsing under the combined weight of sellers' frauds and buyers' improvidence. HUD was accumulating frightening loads of both foreclosed real estate and longterm capital subsidy obligations to private developers. George Romney, outgoing secretary of HUD, publicly announced the bankruptcy of federal housing assistance policy. James Lynn, his successor, imposed a moratorium on new federal commitments.

Against this background, Congress authorized and HUD designed an extraordinary agenda of experiments with housing allowances for low-income families. It was meant to test the hypothesis that direct cash

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The author is principal investigator at Rand for the Housing Assistance Supply Experiment (HASE). The findings reported here were developed from primary data gathered and analyzed by the staff of HASE. Although citations in the text credit some of the author's colleagues for their direct contributions, the full list of those who have contributed indirectly to this paper would include several hundred names. The author thanks them all.

payments, earmarked for housing, would be a more effective and efficient way to deliver federal housing assistance than capital or operating subsidies to public housing authorities and private developers.

HUD's Experimental Housing Assistance Program (EHAP) consisted of several complementary experiments, each conducted in two or more of twelve sites that ranged from major metropolitan areas to rural counties. The Rand Corporation designed and conducted the Housing Assistance Supply Experiment in Brown County, Wisconsin (whose central city is Green Bay), and St. Joseph County, Indiana (whose central city is South Bend). The Supply Experiment's principal purpose was to learn how a fullscale allowance program would affect the housing market in which it was conducted. Beginning in 1974, we operated programs in each site that were open to all low-income renters and homeowners, and have monitored both the programs and the housing markets.

Because early findings on market effects have been reported in other forums, this paper does not address that topic.* Instead, it explains how a housing allowance program works and how the experimental program has affected those who participated in it: How many and what kinds of households have enrolled, what they did to meet the program's housing standards, how their housing expenditures changed after enrollment, and by how much their housing was improved. The paper concludes with comments on the policy implications of our findings.

This review is based on research that is still in progress. The data so far analyzed generally cover the first several years of program experience, but the temporal coverage varies by topic. Our final round of analysis, using all the data, will doubtless modify the interim findings, but I believe that the main consequence will be to confirm by more rigorous techniques the inferences we have drawn from earlier passes at the incomplete dataset.

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*Market effects are reported in C. Lance Barnett and Ira S. Lowry, *How Housing Allowances Affect Housing Prices*, The Rand Corporation, R-2452-HUD, September 1979. For a general summary of midexperimental findings, see the *Fourth Annual Report of the Housing Assistance Supply Experiment*, The Rand Corporation, R-2302-HUD, May 1978.

THE EXPERIMENTAL SITES

We chose the experimental sites for contrast in factors that were likely to affect program outcomes. On the one hand, we sought a contrast between a tight and a loose housing market, and on the other hand, between a market free of racial segregation and one with a segregated minority population (see Tables 1 and 2).

At baseline (1974), Brown County had about 170,000 inhabitants (48,000 households). Because of steady growth in employment and population, the county has had a persistently tight housing market. Since nearly 60 percent of the dwellings were built after 1944, the housing stock is in relatively good condition; even in the urban core there are no large blighted neighborhoods. Finally, the county is racially homogeneous, so housing is unsegregated.

In 1975, St. Joseph County had 235,000 inhabitants (about 76,000 households). Manufacturing employment declined sharply after World War II, resulting in population losses, first from South Bend and later from the county as a whole. The central city has a large surplus of deteriorating housing, and suburban vacancy rates are rising.

Table 1

BASELINE POPULATION CONTRASTS: BROWN AND ST. JOSEPH COUNTIES

Area	Number of Persons	Average Annual Growth (%)		Households	
		1960-70	After 1970	Number	Percent Black or Latin
Brown County					
Green Bay	88,500	3.3	.2	28,100	1.9
Rest of county	81,900	1.2	3.0	19,800	.6
Total	170,400	2.4	1.5	47,900	1.4
St. Joseph County					
South Bend	112,500	-.5	-2.2	39,300	18.6
Rest of county	123,000	1.2	.6	36,300	1.3
Total	235,500	.3	-.8	75,600	10.4

SOURCES: U.S. Bureau of the Census, *Census of Population and Housing: 1970*; and estimates by HASE staff from records of the baseline household surveys in each site.

Table 2

HOUSING VACANCIES AND TURNOVER AT BASELINE:
BROWN AND ST. JOSEPH COUNTIES

Area	Number of Habitable Units	Average Vacancy Rate (%)	Annual Turnover per 100 Units	Average Vacancy Duration (weeks)
Regular Rental Housing[a]				
Brown County	14,700	5.1	65.6	4.0
St. Joseph County	16,400	10.6	57.4	9.6
Central South Bend	8,000	12.3	59.5	10.7
Rest of county	8,400	8.9	55.3	8.4
Homeowner Housing[b]				
Brown County	31,700	.8	7.4	5.6
St. Joseph County	57,000	2.4	9.9	12.6
Central South Bend	13,600	4.2	8.5	25.7
Rest of county	43,400	1.9	10.2	9.7

SOURCE: Estimated by HASE staff from records of the baseline surveys of landlords and homeowners in each site.

[a]Excludes mobile home parks, rooming houses, farmhouses, and federally subsidized dwellings.

[b]Excludes mobile homes.

Nearly all the blacks live in South Bend, where they compose 19 percent of all households. The central South Bend neighborhoods with the highest concentrations of blacks are generally the ones with the worst housing and lowest property values.

Table 2 compares housing market conditions at baseline in the two sites. In the rental market, Brown County had a vacancy rate of 5.1 percent and rental units had an average market value of $12,300 (the table does not show property values). The vacancy rate in St. Joseph County was twice as large, and average market value was correspondingly lower, about $8,200. In central South Bend, the vacancy rate was still higher, and average market value was under $7,000.

Characteristically, homeowner vacancy rates are all lower than rental vacancy rates, but follow the same pattern. In central South

Bend, a home offered for sale was typically on the market for over six months before it found a buyer. The average price of such a home was $10,900.

PROGRAM DESIGN

We began the Brown County allowance program in 1974, and the St. Joseph County program in 1975. Since then, the program has been open to all renters and homeowners in the two counties who were unable to afford adequate housing on the private market, as judged by HUD's fourth-of-income rule.

Each enrolled household receives monthly cash payments equal to the "housing gap" between the standard cost of adequate housing (as measured by local market surveys) and a fourth of its adjusted gross income, provided that its housing meets minimum standards of decency, safety, and sanitation, and is large enough for the family. A family enrolled at the beginning of the program could receive payments for as long as ten years.

Participants, whether renters or homeowners, must find their homes in the open market and are entirely responsible for negotiating the lease or purchase terms and for meeting their obligations to their landlords, lenders, or other parties to the transaction. They may change tenure or move anywhere within the program jurisdiction, so long as their chosen dwellings meet program standards (as checked by periodic inspections).

Each enrolled household is informed of the amount of its allowance entitlement and of the housing requirements that must be met before payments will commence. If an enrollee's current dwelling fails its initial inspection, he is informed of the reasons; to qualify for payments, he must either arrange for repairs or move to an acceptable dwelling. There is no time limit for action, but neither are benefits received until the housing requirements are met.

The housing standards closely parallel the national model housing codes that have been adopted by most urban jurisdictions, including those in our sites. Unlike building codes, which are concerned with the durability of new or remodeled residential structures, housing

codes are concerned with current habitability. They set standards for space (relative to household size), domestic facilities, safety, and sanitation. With rare exceptions, a dwelling that would pass a local code inspection would also be considered acceptable housing for program participants.

It should be clear from this account that earmarking in the Supply Experiment is indirect. Enrollees are offered a fixed monthly payment conditional on occupancy of acceptable housing, but are not required to spend any particular amount to obtain that housing. Their allowances are fungible with their incomes from other sources. Consequently, they have ample reason to search for bargains in the housing market. Except through its income effect, the program offers no incentive for housing consumption in excess of the minimum standard, but neither does it penalize those who choose to pay for housing above that standard.

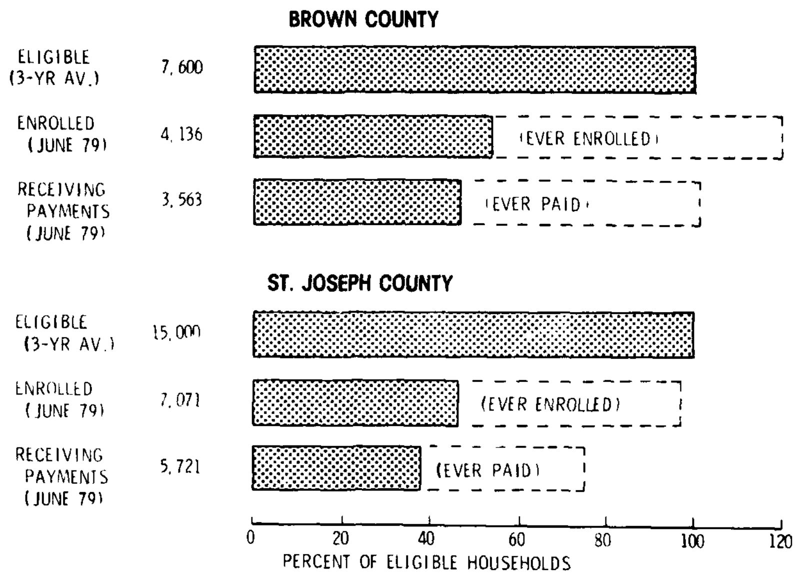
ELIGIBILITY AND PARTICIPATION

We estimate from our countywide household surveys that about a fifth of all households in each site are eligible to participate at any given time. Figure 1 shows the number of eligibles in each site as 100 percent, and indicates what fraction of the eligibles were enrolled and receiving payments in June 1979.

About 55 percent of the eligibles in Brown County were enrolled and nearly half were receiving payments. In St. Joseph County, nearly half were enrolled and about two-fifths were receiving payments. However, a much larger number of households than are currently enrolled have benefited from the program at some time during its five-year history.

Why Participation Rates Are "Low"

Participation rates have been lower than most observers anticipated. That outcome is partly because this program requires more of its clients than do unconditional transfers such as social security or AFDC. But mostly it is because the information needed to calculate accurate participation rates for transfer programs is rarely available.



SOURCE: Tabulated by HASE staff from program records through June 1979.

Fig. 1--Eligibility for and participation in the experimental allowance programs

Where cross-program comparisons can be made, our participation rates are about par for the course.

For example, consider welfare participation in New York City in comparison to the allowance program (see Table 3). In March 1970, about 88 percent of the city's eligible single parents were enrolled in AFDC; in our sites, 73 percent were enrolled at the end of the program's third year. Among the elderly, the rates were 28 percent for SSI in New York and 38 percent for allowances in our sites. Overall, welfare participation in New York was 52 percent of those eligible; allowance participation in our sites was only 44 percent, but still growing. It is currently about 50 percent.

The underlying story is that eligibility is an impermanent status. When households become eligible, they do not immediately enroll; our data indicate that about a third of the unenrolled eligibles join the program each year. But when households become ineligible, their

Table 3

PARTICIPATION RATE BY HOUSEHOLD TYPE: NEW YORK CITY WELFARE VS. HOUSING ALLOWANCE PROGRAMS

Household Type	Participation Rate (%) NYC Welfare (1970)	Participation Rate (%) Housing Allowances[a] (Year 3)
Single parent	88	73
Other nonelderly	43	38
Elderly	28	38
All types	52	44
Equilibrium rate, all types	56	52

SOURCE: New York City welfare data from C. Peter Rydell, Thelma Palmerio, Gerald Blais, and Dan Brown, *Welfare Caseload Dynamics in New York City*, The New York City-Rand Institute, R-1441-NYC, October 1974, pp. 36-40. Housing allowance data were tabulated by Rand staff from program records.

[a]Combined data for Brown and St. Joseph counties.

enrollments are more promptly terminated. About a third of our enrollees terminate each year. If you work through the algebra of this process, assuming that the pool of eligibles is constant in size even though changing in membership, it turns out that the longrun equilibrium participation rate for welfare in New York City is about 56 percent; for the allowance program, the comparable figure is 52 percent.*

Whom the Program Helps

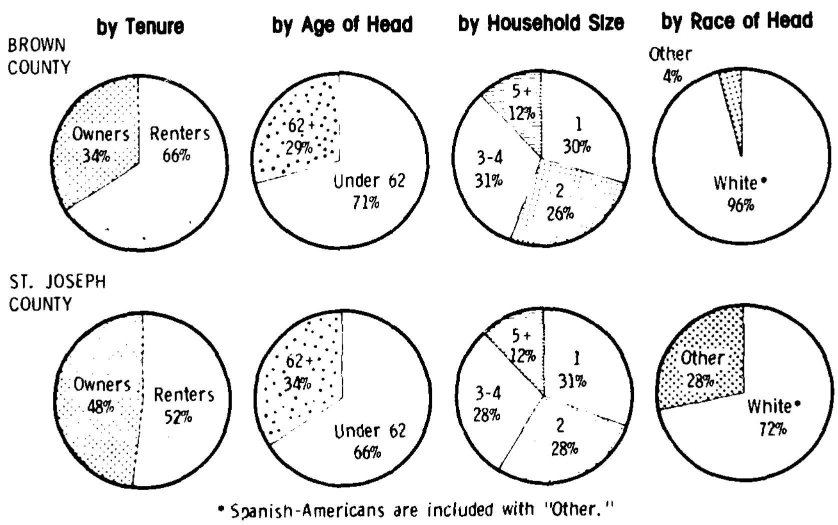
Among all households ever enrolled, about a third in Brown County and half in St. Joseph County are homeowners; the others are renters

*See C. Peter Rydell, John E. Mulford, and Lawrence Kozimor, "Participation Rates in Government Transfer Programs: Application to Housing Allowances," *Management Science*, Vol. 25, No. 5, May 1979, pp. 444-453.

(see Fig. 2). In both sites, about a third are officially elderly (headed by someone 62 years or older), and over half consist of one or two persons. Brown County has few nonwhites in its population, but most of them have enrolled. In St. Joseph County, nonwhites account for 28 percent of all enrollees vs. a tenth of all households.

Four types of households predominate: young couples with young children, single parents with children, elderly couples, and elderly single persons. Among the enrollees, single parents and elderly single persons are the largest groups, comprising over half of the total. Among the elderly, homeowners predominate; most of the young couples and singles are renters.

Whereas the single parents and the elderly singles tend to stay eligible for a long time, both young and old couples tend toward episodic eligibility. The young couples become eligible when the breadwinner loses his job, and become ineligible when he finds another. Those who enroll during their episodes of eligibility have pressing, if brief, financial problems; the allowance functions for them as



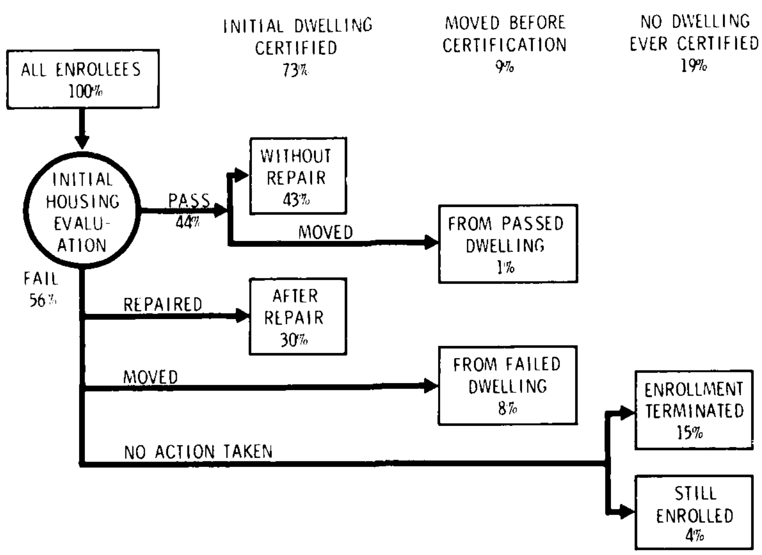
SOURCE: Tabulated by HASE staff from program records through the third program year in each site.

Fig. 2--Characteristics of households ever enrolled through year 3

supplemental unemployment insurance. The elderly couples turn out to be clustered close to the income limit, so that small changes in their incomes move them in and out of eligibility, and while they are eligible their benefit entitlement is characteristically small.

How Enrollees Qualify for Payments

The allowance payment is linked to the local cost of housing, increasing with household size and decreasing with income. Currently, payments can go as high as $265 monthly for very large households with no other income (an unlikely circumstance), but average about $85 monthly. If the enrollee is already living in acceptable housing, the allowance either reduces the burden of his housing expense or enables him to increase his housing consumption, depending on his preferences. If his housing does not meet program standards, he may need to pay for repairs or pay a higher rent for acceptable housing. The flow of enrollees through the program and the housing actions they took are summarized in Fig. 3.



SOURCE: Tabulated by HASE staff from program records for 8,477 households (both sites) who enrolled at least six months before the end of the second program year.

Fig. 3--How enrollees qualify for payments

All enrollees undergo an initial housing evaluation. About 44 percent are then living in acceptable dwellings, so qualify for payments immediately. The other 56 percent must either repair or move in order to qualify for payments; some do nothing. Altogether, about 73 percent qualify in their initial dwellings, 9 percent move to acceptable housing, and 19 percent never qualify for payments, usually terminating their enrollments. Among all enrollees, about 80 percent qualify for payments within six months after they enroll.

The proportion of enrollees that qualifies for payments varies with household characteristics (see Table 4). Against our expectation, we find that elderly homeowners with incomes under $4,000 are the most likely to qualify--partly because their housing is initially above average in quality and partly because they are most willing to repair homes that are below standard. The least successful are young renters with incomes above $4,000, perhaps because some expect only a

Table 4

PERCENT OF ENROLLEES QUALIFYING FOR PAYMENTS,
BY HOUSEHOLD TYPE

Income and Housing Tenure	Percent of Enrollees in Each Category Who Qualified			
	Brown County		St. Joseph County	
	Elderly	Nonelderly	Elderly	Nonelderly
Under $4,000:				
Owner	93	90	91	85
Renter	90	86	83	74
$4,000 or more:				
Owner	89	79	88	75
Renter	78	71	79	58
All cases	84		80	

SOURCE: Tabulated by HASE staff from program records for 7,859 households who enrolled at least six months before the end of the second program year in each site.

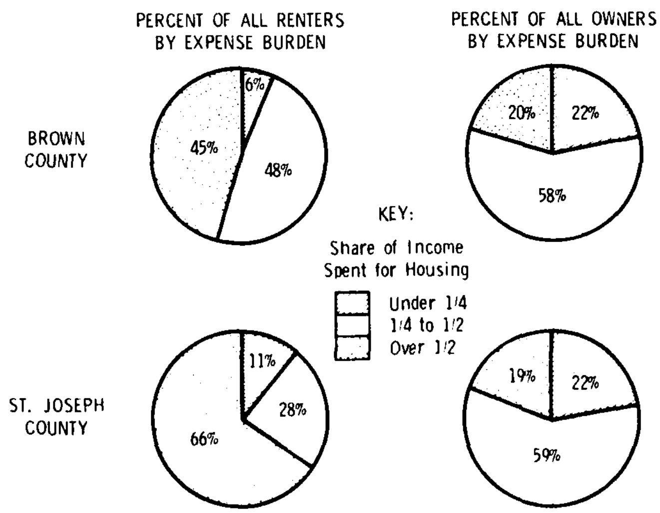
brief period of eligibility and are therefore unwilling to undertake repairs or to move.

Nearly everyone who makes an effort to qualify for payments by repairing or moving succeeds. Conversely, among those who never qualify, few make a visible effort to do so. Learning that their payments do not automatically follow enrollment, they soon drop out--usually by not responding to semiannual eligibility recertification notices.

ALLOWANCES AND HOUSING EXPENDITURES

Through June 1979, the two HAOs have disbursed \$27.4 million in allowance payments to some 19,000 households, for an average payment of \$1,450 per household. How have these payments been spent? As yet, we can measure responses only during the recipient's first year or so of benefits, but the evidence is that most of the money goes to reduce housing expense burdens rather than to increase housing consumption.

Figure 4 shows why. About 90 percent of the enrolled renters in each site were spending more than a fourth of their incomes for housing when they enrolled. In St. Joseph County, two-thirds of the



SOURCE: Tabulated by HASE staff from program records through the second program year in each site.

Fig. 4--Enrollees' preallowance housing expense burdens

renters were spending over half their incomes for housing. Nearly 80 percent of the homeowners spent over a fourth of income for housing, and these figures do not include the opportunity cost of their equity investments in their homes. Given these housing expense burdens, it is not surprising that only a minority of participants sought to increase their outlays by more than was needed to meet program standards and compensate for inflation in fuel and utility prices.

Table 5 shows how renters' housing expenses changed during the first two program years, on average encompassing about a year of enrollment for each participant. It reports only contract rents, excluding tenant-paid utilities.

About two-thirds of the renters (nonmovers) were still in their initial dwellings at the end of year 2. Their contract rents increased only slightly.

About a third of the renters had moved by the end of year 2. Most of them moved to substantially more expensive and presumably better homes. For this minority, the housing allowance was used mostly to

Table 5

CHANGES IN CONTRACT RENT FROM ENROLLMENT THROUGH YEAR 2

Mobility Status and Site	Average Elapsed Time (Months)	Average Rent Change (%) By Initial Evaluation Result		
		Pass	Fail	Total
Nonmovers				
Brown County	12	3	7	4
St. Joseph County	10	1	3	2
Movers				
Brown County	15	23	42	34
St. Joseph County	13	32	46	45

SOURCE: Tabulated by HASE staff from program records through the second program year in each site.

NOTE: Contract rent excludes utilities paid by tenant.

increase housing consumption. The largest increases were for households that moved from unacceptable to acceptable dwellings in order to qualify for payments.

For homeowners, the post-enrollment change in housing expenses has two main elements: larger expenditures on repairs and improvements and larger fuel and utility expenses. Table 6 deals with the first item, comparing voluntary repair-and-improvement expenditures made by homeowner participants during the year between annual housing evaluations to those made by all low-income homeowners in the year before the program began. The comparison is complicated by rapid inflation in repair costs, so we compare both current and constant-dollar expenditures.

As compared to all low-income homeowners, those in the program spent more for repairs, increasing their total cash outlays (constant dollars) for housing by 30 to 50 percent in Brown County, but less in St. Joseph County where repair outlays were already high.

For both renters and homeowners, there is a question whether participant self-selection biases the findings. For example, homeowners who are accustomed to spending above-average amounts for repairs may find the program more attractive than those who habitually neglect their dwellings. We are currently exploring that issue.

Home Purchases

Only a few renters in each site have bought homes with the aid of their allowances. During four program years in Brown County, 97 out of 5,100 renter enrollees bought homes. During three years in St. Joseph County, 175 out of 5,500 renter enrollees became homeowners. In general, we find that home purchase is easiest in central South Bend, where single-family houses in reasonably good condition can be bought for as little as $10,000 on a land contract or FHA-insured mortgage. In South Bend's suburbs and throughout Brown County, the monthly expenses of home ownership typically exceed those of renting, and allowance-based purchases are rare. Those in Brown County were mostly mobile homes.

Table 6

HOMEOWNERS' CASH EXPENSE FOR REPAIRS AND IMPROVEMENTS

Program Status	Average Annual Expenditures ($)			
	Brown County		St. Joseph County	
	Elderly	Non-elderly	Elderly	Non-elderly
A. Allowance recipients[a]	273	400	358	326
B. All low-income owners[b]	143	241	257	287
Ratio (A/B)	1.91	1.66	1.39	1.15
Ratio in constant dollars	1.51	1.31	1.21	1.00

SOURCE: Tabulated by HASE staff from program and household survey records.

[a]Years ending December 1975 through June 1977.

[b]Preprogram year: 1973 (Brown County) or 1974 (St. Joseph County).

HOUSING IMPROVEMENT

The allowance program has resulted in numerous, though usually modest, improvements to enrollees' homes. Among those seeking to qualify for payments, about 8,400 have repaired their homes and about 2,000 have moved to better homes. Among those already receiving payments, about 3,600 have made additional repairs to avoid suspension, and about 1,100 have moved to acceptable dwellings.

The program's housing standards are patterned on national model housing codes and closely resemble local code requirements. They deal with three aspects of housing quality:

- Adequate space for the enrollee's household, including standards for the number and habitability of rooms.
- Essential domestic facilities, including complete bathroom and kitchen facilities in good working order and with appropriate utility services.
- Hazards to health or safety within or around the dwelling.

These requirements are enforced by onsite inspections of the dwellings that enrollees occupy or to which they plan to move, and by annual reinspections of recipients' dwellings. As of June 1979, the two HAOs had conducted nearly 40,000 housing evaluations for new enrollees and 29,000 for those already receiving payments.

What's Wrong with Enrollees' Housing

We find that over half of the enrollees are living in dwellings that do not meet our standards (see Table 7). Generally, St. Joseph County's housing is in worse condition with 134 defects per 100 dwellings, vs. 103 in Brown County. About 17 percent of all enrollees are short on space. Kitchen, bathroom, and window defects are common, as are unsafe stairways and hazardous conditions in electrical, plumbing, or heating systems. Nearly all these defects are also violations

Table 7

DEFECTS IN ENROLLEES' HOUSING, BY TYPE OF DEFECT

Type of Defect	Defects Per 100 Dwellings: Brown County	Defects Per 100 Dwellings: St. Joseph County
Inadequate space		
Too few habitable rooms or bedrooms	17	17
Inadequate facilities		
Kitchen (7 items)	6	12
Bathroom (8 items)	14	23
Hazardous conditions		
Exterior property area (4 items)	3	2
Building exterior:		
Stairs, porches, railings	6	3
Windows	8	16
Other (4 items)	4	5
Building interior:		
Stairs, railings	26	34
Other (7 items)	8	10
Utility systems (4 items)	11	12
All defects	103	134

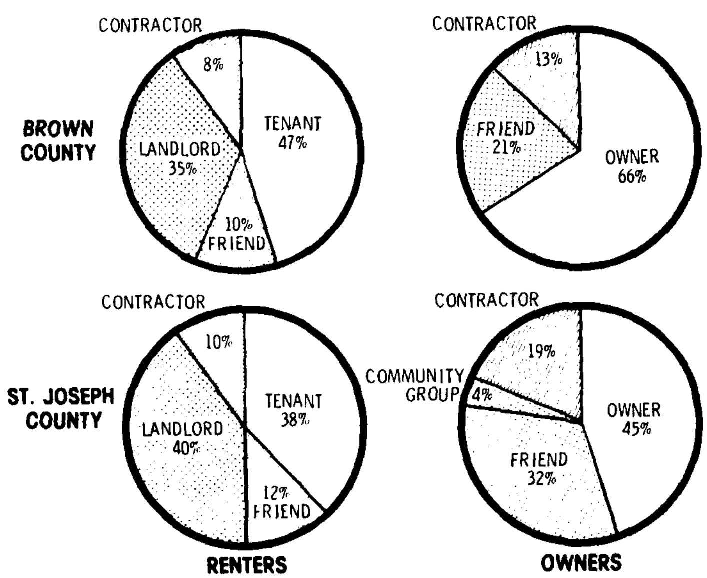
SOURCE: Tabulated by HASE staff from program records through the second program year in each site.

of local housing codes but few of the dwellings we evaluate have been cited by local code enforcement agencies.

Repair Methods and Costs

About two-thirds of the failed dwellings are repaired so that their occupants can qualify for payments. As shown in Fig. 5, very little of the work is done by professional contractors. For rented dwellings, the tenants and their friends did about half the work, while their landlords did about two-fifths. Homeowners and their friends did about four-fifths of the work on those dwellings.

Because many of the repairs were simple and because few were done by paid labor, the cash costs were surprisingly low (see Table 8). Although the range of costs is wide, three-fourths spend under \$30 and the median outlay is about \$10. A few large expenditures, for which we hesitate to take credit, pull the average up as high as \$80.



SOURCE: James L. McDowell, *Housing Allowances and Housing Improvement: Early Findings*, The Rand Corporation, N-1198-HUD, September 1979, Fig. 3.

Fig. 5--Initial repairs to failed dwellings by source of labor

Table 8

CASH OUTLAYS FOR INITIAL REPAIRS

Site and Tenure	Dollars Per Repaired Dwelling: Full Range	Interquartile Range	Median	Average
Brown County				
Owners	0- 6,000	3-24	10	55
Renters	0- 5,000	0-23	8	39
St. Joseph County				
Owners	0-10,319	3-29	11	81
Renters	0- 3,030	2-30	10	37

SOURCE: James L. McDowell, *Housing Allowances and Housing Improvement: Early Findings*, The Rand Corporation, N-1198-HUD, September 1979, Table 2.6.

NOTE: Entries are based on program records for January 1976 through June 1977.

This finding is a real shocker in light of the much larger sums spent by HUD and other agencies to repair or rehabilitate substandard housing. Rehab programs differ from this one in three respects: They often set good-as-new standards for rehabilitations, they rely almost entirely on contractors, and HUD pays the bill. Repairs in our program focus on health and safety hazards; and because they pay the bills, participants and their landlords seek the most economical remedies to their housing defects, doing most of the work themselves.

SUMMARY OF FINDINGS

Our data show that in both Brown and St. Joseph counties, despite their many differences, about a fifth of all households cannot afford the market price of decent, safe, and sanitary housing if only a fourth of income is allotted to housing expense. At any given time, about half of the eligibles will be enrolled. Of those who enrolled in the allowance program, about 90 percent of the renters and 80 percent of the owners were spending more than a fourth of income for housing. A majority of the renter enrollees were spending over half

their incomes for housing. Yet, over half were occupying dwellings that failed to meet the program's quality standards.

If you accept these circumstances as indicating a social problem, housing allowances are a demonstrably effective and efficient way to ameliorate it. For those who have already chosen to live in adequate housing despite its cost, allowances provide an income supplement that substantially eases financial burdens. For those living in substandard housing, the conditional offer of an allowance provides an effective incentive to remedy housing defects. Four-fifths of all enrollees and two-thirds of those in defective dwellings eventually qualify for payments.

The real surprise is that those defects are so easy to fix. Those who repaired substandard dwellings usually reported cash expenses under $30, mostly for materials. Nearly all the labor was supplied by the enrollees themselves, their friends, or their landlords. We have also estimated repair costs for those who didn't repair, choosing instead to move or terminate. Their costs would have been only slightly higher--usually under $60--and the expense could nearly always have been recouped from the first few allowance payments.

The most expensive defect to remedy is overcrowding, usually solved by moving to a larger home. Only 8 percent of the enrollees moved in order to qualify for payments, but they typically increased their housing expense by 40 to 50 percent. Others move voluntarily after they have begun receiving payments and usually substantially upgrade their housing when they do so. But most enrollees, already spending heavily for housing, prefer to use the allowance as a general income supplement.

HOUSING ALLOWANCES AND HOUSING POLICY

From our data on housing defects and the costs of repairing them, we conclude that most people who live in substandard housing do so not just because they are poor but because they are ignorant of or indifferent to the defects. One might also argue that there is no compelling reason for society to care about housing defects that don't much bother the occupants.

The argument has both technical and philisophical aspects. On the technical side, we don't really know by how much the housing defects we encounter actually degrade the occupants' health or social performance. For lack of scientific data, we based our housing standards on a long tradition of professional opinion that is reflected in local ordinances throughout the nation.

Handrails are a good example. As do many local codes, our standard requires a securely mounted handrail on every flight of six or more steps. That standard was violated by a fourth of enrollees' dwellings in Brown County and a third in St. Joseph County. Because this defect was so common, we searched the literature for studies of stairway accidents and their causes. We learned that about 12 percent of all disabling injuries and 12 percent of accidental deaths in and around homes were associated with stairway falls. We were able to find only one amateurish study of the structural and behavioral causes of such accidents. Our own data show that installing a handrail typically costs about $9. Should handrails be required?

If you accept the notion of a public obligation to protect householders against their ignorance of or indifference to domestic hazards, and if you accept our evidence that such hazards can usually be inexpensively remedied, an obvious solution is to enforce local housing codes.

Although nearly all urban jurisdictions have such codes, systematic enforcement is rare. In most communities, inspections are made only in response to complaints by tenants against their landlords, by social welfare agencies, or by neighbors.

Generally, an inspector's life is not a happy one, given that he can offer only punitive incentives for compliance. Tenants fear that their rents will be increased to compensate for compliance costs; landlords threaten to board up substandard structures rather than repair them; and homeowners resent bureaucratic meddling in their domestic arrangements.

By offering a positive incentive for compliance, housing allowances have succeeded where local code enforcement has failed. Of course, if you view the allowance strictly as a bribe for compliance,

it is expensive, typically about 20 times the cash cost of repairs. But if you view housing allowances as an income supplement for poor people, then piggy-backing the housing requirements adds about \$70 per recipient year for administration, and compliance with the standards costs most recipients less than \$30.